MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

8 AUGUST 2022
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Ocean Berhad, a company listed in Malaysia, acquired 100% ownership of River Ltd, a company in the Island Land on 1 July 2020 with a consideration of RM 60,000,000. On the acquisition date, River Ltd had a retained profit of $18,000,000. As at 30 June 2021, the financial records of both of the companies were:

Statement of profit or loss for the year ended 30 June 2021

	Ocean Berhad RM'000	River Ltd $'000
Revenue	180,000	60,480
Cost of goods sold	(126,000)	(23,760)
Gross profit	54,000	36,720
Operating expenses	(3,300)	(2,640)
Profit before tax	50,700	34,080
Tax expenses	(15,000)	(12,480)
Profit after tax	35,700	21,600

Statement of Financial Position as at 30 June 2021

	Ocean Berhad RM'000	River Ltd $'000
Property, Plant and Equipment	193,200	192,000
Account receivables	18,000	33,600
Bank	13,800	12,000
Account payables	(24,000)	(18,000)
Long Term Loan	(15,000)	(12,000)
	186,000	207,600
Share capital	150,000	168,000
Retained profit	36,000	39,600
	186,000	207,600

The following are the relevant exchange rates for RM1:

1 July 2020	$4.00
30 June 2021	$3.20
Average rate for the year	$3.60
When opening inventory was bought	$3.70
When closing inventory was bought	$3.55

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Required:

In compliance with the MFRS 121: *The Effects of Changes in Foreign Exchange Rates* and using the net investment method:

a) Prepare the translated Statement of Profit or Loss for the year ended 30 June 2021.
(2 marks)

b) Prepare the translated Statement of Financial Position as at 30 June 2021.
(4 marks)

c) Compute the goodwill on consolidation.
(2 marks)

d) Prepare the reconciliation of the exchange difference for year 2021.
(3 marks)

e) Prepare the Consolidated Statement of Profit or Loss for the year ended 30 June 2021.
(4 marks)

f) Prepare the Consolidated Statement of Financial Position as at 30 June 2021.
(10 marks)

(Total: 25 marks)

QUESTION 2

PART A

Hiko Berhad has a 31 December accounting year. As at 31 December 2021, the extraction of some of the accounts were:

	RM
Cash	200,000
Deferred tax liability (as at 1.1.2021)	20,000
Equipment	320,000
Inventory	260,000
Long Term Loan payable	1,280,000
Plant (net)	1,800,000
Prepaid insurance	40,000
Provision for clean-up cost	160,000
Trade payable	220,000
Trade receivable (net)	240,000

Additional information:

i) A total of RM 60,000 was provided for as provision of doubtful debts for the year.

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ii) On 1 January 2021, the company acquired the plant for RM2,400,000. Straight depreciation method was adopted where it was expected that the useful life of the plant was 4 yours with no residual value. However, capital allowance was to be claimed over a period of 3 years.
iii) At the end of the year, the tax depreciated value of the equipment was RM120,000. During the year, revaluation was performed on the equipment. A total of RM 40,000 was credited to the revaluation surplus account.
iv) The tax law allowed for the provision to be claimed on incurred basis. During the years, none has actually been paid.
v) Tax rate was 30% for year 2020 and 27% for year 2021.

Required:

In accordance with MFRS 112: *Income Taxes*, calculate the deferred tax for the year 2021. (12 marks)

Part B

Cicak Berhad carried a property in its financial records. As at 31 December 2021, the details of the property are as follows:

	RM
Revalued amount as at 31.12.2016	40,000,000
Accumulated Depreciation (1.1.2017 to 31.12.2018)	(2,000,000)
Impairment Loss as at 31.12.2018	(3,000,000)
Accumulated Depreciation (1.1.2019 to 31.12.2021)	(2,763,000)
Carrying amount as at 31.12.2021	32,237,000

Additional Information:
a) As at 31 December 2021, there were indications that the impairment loss recognised in year 2017 may have reversed. The estimated recoverable amount of the property is RM 37,500,000.
b) As at 31 December 2016, the remaining useful life of the property was estimated to be 40 years.
c) The property was depreciated based on straight-line method.

Required:

In accordance with MFRS 136: *Impairment of Assets*:

(a) Determine the amount of the reversal of impairment loss and the carrying amount of the property after the reversal. (9 marks)

(b) Illustrate the relevant journal entry. (4 marks)

(Total: 25 marks)

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QUESTION 3

PART A

Y-Drink Berhad engages in the business of manufacturing healthy beverages in Malaysia. The financial year end is 31 October annually. In the current financial year, the extract of financial results is reported internally as follows:

Operating segment	Revenue RM'000	Profit or loss RM'000	Total assets RM'000
Beverage A	24,000	10,000	120,000
Beverage B	88,000	16,000	220,000
Beverage C	26,000	(2,000)	100,000
Beverage D	18,000	(4,000)	150,000
Beverage E	32,000	4,000	40,000
Beverage F	12,000	3,400	20,000
	200,000	27,400	650,000

Required:

In accordance with the MFRS 8: *Operating Segments*:

a) determine the reportable segments using the quantitative thresholds and 75% constraints. (7 marks)

b) illustrate the extract of notes to the financial statement for the reportable segments, as determined in part (a). (6 marks)

PART B

Talso Berhad prepares quarterly interim reports. For the year ended 31 December 2021, it has the following transactions:

(a) The company recorded a loss of RM 200,000 in the first quarter of the year. However, the company expected that the sales in the coming three quarters would increase after extensive marketing and promotion strategy in the first quarter. It is forecasted that there will be a favorable revenue in the coming quarters. The company would like to spread the loss made in the first quarter over the year.

(b) Owing to the matching principle, the company would like to spread the significant advertising cost incurred in the first quarter of the year (mentioned in (a) above) over all the four quarters of the year in order to be better matched with the expected increase in sales over the remaining quarters.

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(c) The company incurred the following development cost for the year:

Date	31 Mar 2021	30 Jun 2021	30 Sept 2021	31 Dec 2021
Amount (RM)	300,000	420,000	370,000	450,000

The development costs incurred in the first two quarters are expensed off as they did not meet the recognising criteria. It is only on 15th July, the criteria for capitalisation was met. With that, the company intended to reverse the development costs expensed off in the first two quarters of the year.

(d) The company is planning to change its interim reporting date from quarterly reports to half-yearly report. However, the company is unsure on what are the periods and its comparative periods to be presented for the half-yearly interim reports for the month of June.

Required:

In compliance with MFRS 134: *Interim Financial Reporting*, determine how the company should deal with the above transaction in its interim reports for the year 2021.

(12 marks)

(Total: 25 marks)

QUESTION 4

Part A

QKL Berhad has a defined benefits plan. As at 31 December 2021, the following information are related to be the plan:

i) The employees will be entitled for 2.1% of the final withdrawn salary for each year of service.

ii)

	31 December 2020	**31 December 2021**
Present value of obligation	RM 4,800 million	RM 5,550 million
Fair value of plan assets	RM 4,650 million	RM 5,295 million

ii) For the year 2021, the present value of the pension benefits earned by the employees RM 60 million.

iii) A total of RM 30 million contribution was paid to the plan.

iv) The total benefits paid to the retired employees was RM 51 million.

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v) As at 31 December 2021, the company decided to provide an increased pension entitlement to its employees. The present value of the cost of these benefits as calculated by the actuaries were RM 307.5 million.

vi) The interest rate at 31 December 2021 was 5% while at 31 December 2020 was 6%.

Required:

In accordance with MFRS 119: *Employee Benefits*:

a) Determine the amount that would be charged in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021.

(5.5 marks)

b) Illustrate the extracts of QKL Bhd's Statement of Financial Position as at 31 December 2021 (Reconciliation section is required).

(2.5 marks)

Part B

Giga Berhad purchased the following quoted securities from the open market at 1 August 2021. The details associated with the purchases are:

	Price	**Commission to Broker**
2,000,000 ordinary shares of D Berhad	RM 4,000,000	20,000
2,000,000 bonds of W Berhad	RM 1,600,000	10,000

Additional information:

(a) The company intends to trade the investments and will sell them when the market price increased by 10% or more.

(b) As at 30 September 2021, the quoted market prices of the investments showed:

Ordinary shares of D Berhad RM 2.08
Bonds of W Berhad RM 0.78

Required:

In accordance with MFRS 9: *Financial Instruments*, determine how the company should account for the two investments.

(9 marks)

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Part C

Jungko Berhad approved the plan to grant options to its employees as part of the rewarding and compensation programme on 20 December 2018. The relevant details are:

Grant date	1 January 2019
Number of employees	10 managers
Number of options granted	80,000 ordinary shares per manager
Vesting Period	3 years
Condition	To stay will the company until the options vested
Exercise Period	1 January 2022 to 31 December 2023
Exercise Price	RM 6

Fair value of the company share are as follows:

1 January 2020	RM 5
1 January 2021	RM 5.50 (estimated)
1 January 2022	RM 6.20 (estimated)

Additional information:

- As at 31 December 2019, 2 managers left the company and it is expected that 1 more would leave before end of 2021.
- As at 31 December 2020, 1 manager left the company and it is expected that 1 more would leave before end of 2021.
- As at 31 December 2021, no manager left the company.

Required:

In accordance with MFRS 2: *Share-based Payment*, identify the relevant accounting entries for the year ending 31 December 2019, 2020 and 2021. Support your answer with relevant workings.

(8 marks)

(Total: 25 marks)

End of Paper.